

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 6 [CW06E]
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6. Mr O S Terblanche (Western Cape: DA) to ask the Minister of Finance:

- (1) Where will funds be obtained from regarding the stimulus package to boost the economy with a R50 billion and R400 billion infrastructure development fund that was announced by the President;
- (2) Whether the funds will be obtained from shifting budget priorities and/or savings; if not, what is the position in this regard; if so, (a) from which departments and (b) in which financial years?

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REPLY:

- (1) The R50 billion estimate announced by the President reflects a series of baseline reprioritisations and changes to existing grants over the next three years. Government is reprioritising R32.4 billion over the next three years. Of this amount, R15.9 billion goes towards faster-spending infrastructure programmes (including R3.4 billion for school infrastructure and eradicating pit latrines), clothing and textile incentives, and the Expanded Public Works Programme. The remaining R16.5 billion is allocated to various programmes, including recapitalising the South African Revenue Service (SARS), a minimum wage for community health workers, critical posts and goods and services in health, and streamlining the management of the justice system.

In addition, changes to grant structures amounting to R14.7 billion will promote upgrading of informal settlements in partnership with communities. Housing subsidies amounting to R1 billion will be centralised to better support middle- and lower-income home buyers. In the current year, R1.7 billion is added to infrastructure spending (including funding for fast-spending school building programmes), and R3.4 billion is allocated to drought relief, mostly to upgrade water infrastructure.

In 2018, the President announced an Infrastructure Fund (IF) initiative that builds on efforts to transform public infrastructure provision. The initiative encourages the public sector to work with private sector in the planning and implementation of infrastructure projects. The R400 billion estimate refers to general government's total projected medium-term infrastructure expenditure. In the 2018 Budget, estimated total national, provincial and local government infrastructure expenditure amounted to R395.7 billion for the period 2018/19 to 2020/21. In the 2019 Budget, this estimate is revised up to R441.2 billion for the period 2019/20 to 2021/22.

Government is in the process of designing a blended-finance fund that can leverage this existing pipeline of projects in order to crowd-in further investments from the private sector, multilateral development banks and development finance institutions. The fund will draw on global expertise to strengthen project preparation and implementation in order to

improve the speed and quality of spending, and reduce the cost of investing in public infrastructure.

- (2) The announcements made in 2018 and detailed in the 2018 MTBPS are now formalised in the 2019 Budget. The baseline reprioritisations and changes to existing grants discussed above is financed through various reprioritisations from slow spending programmes, as well as changes to the contingency reserve and provisional allocations not assigned to votes. These include downward adjustments to urban and human settlements grants due to changes in grant structures and reductions in the allocations to the Passenger Rail Agency of South Africa, mainly due to slow spending on the programme.

Adjustments to individual departmental baselines are summarized on pages iii to xv of the Introduction to the 2019 Estimates of National Expenditure and details are provided within the individual chapters for each of the departments.